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# ADOPTION OF THE FINAL REPORT OF THE WORKING GROUP TO THE TRADE AND DEVELOPMENT BOARD

## Draft final report of the Ad Hoc Working Group on the Interrelationship between Investment and Technology Transfer

## PART ONE

## Addendum 2

GE.94-51218



**C. Third Session**

## 1. Guest speakers

1. The third and final session of the Ad Hoc Working Group was held in March 1994. At the beginning of the session, seven guest speakers from the enterprise sector were invited to exchange views on investment-related technology issues. Their presentations and the ensuing discussions are included in the summary report of the "Informal discussions at the third session of the Ad Hoc Working Group on the Interrelationship between Investment and Technology Transfer" [annex II].

2. The informal discussions opened with a keynote address by Mr. Hari Shankar Singhania (President, International Chamber of Commerce) on ways of establishing a favourable environment for foreign investment and technology transfer. Reflecting on transnational corporations (TNCs) as the main source of foreign capital and technology, Mr. Singhania argued that the most effective cases of attracting investment and technology resulted when Governments created favourable conditions for the operation of firms, including political and macroeconomic stability, facilitation of capital movements, availability of an educated and skilled labour force, a supportive legal environment and infrastructure, and demonstrated long-term commitment to growth. Mr. Singhania also discussed the case of the successful East Asian economies which combined policies to strengthen their economic base with foreign know-how and which shifted in due time from inward to export orientation.

3. The Ad Hoc Working Group also benefitted from the presentations by guest speakers from the enterprise sector on their perceptions of the roles of foreign direct investment, technology transfer and technological capability-building in achieving competitiveness. The speakers were Mr. Emerson Kapaz (General Coordinator, Pensamento Nacional das Bases Empresariais, Sao Paolo, Brazil), Mr. Strive Masiyiwa (Managing Director, Retrofit, Harare, Zimbabwe), Mr. Herman Montenegro, Chamber of Commerce and Industry, Manila, the Philippines), Mr. John Morton (Executive Director, British Technology Group, London, United Kingdom), and Mr. Roger Short (Projects Director, Small Enterprise and Local Economic Development Association (SELEDA), Bologna, Italy).

4. The presentations were followed by informal discussions in which the guest speakers elaborated on critical issues and addressed on concerns raised by experts. The issues included, *inter alia*, the establishment of effective intellectual property rights systems and the impact on investment, technology transfer and technological innovation of the GATT agreement on TRIPs; the role of small and medium-sized enterprises in developing countries and the possibilities of strengthening their technological capacities; the effects of private and public ownership on investment and technology transfer; the importance of linkages between enterprises, universities and research institutions; and the need for greater investment in education and enterprise-level training.

## 2. Case studies

5. The meeting benefited from the presentation of four case studies submitted by developing countries. The studies, in order of presentation, are listed in annex II. A presentation was also made by the expert from Austria.

6. The case studies and presentations raised many of the issues reported by the 15 case studies discussed at the second session of the Ad Hoc Working Group. More specifically, however, they highlighted the challenges and opportunities faced by developing countries, particularly the least developed countries and countries in transition to a market economy, in attracting foreign direct investment, acquiring technology and building technological capabilities. They also highlighted the efforts of Governments and the enterprise sector to attract investment and technology flows, develop the innovative capacity of domestic firms and achieve international competitiveness.

7. The case studies showed that the contributions of technological transfer to technology development and economic growth depend not only on the policies in place but also on the technological behaviour of recipient firms -- both during the technology transfer phase and the subsequent phase of production. Equally important are the level of linkages among and between enterprises and research institutions, the availability of

qualified technical personnel and the support provided in the field of standardization, quality control, patent information, etc.



8. The case studies stimulated discussion on the special problems faced by the least developed countries in building technological capability in an economic environment characterized by globalization of markets. In that context, particular attention was given to upgrading of scientific and technical personnel, strengthening of linkages between R & D activities and production and creating the institutional mechanisms for the development of networking at all levels (national, regional and international) supported by the private and public sectors. The need for new and innovative policy approaches to tackle the constraints associated with technological development efforts of the least developed countries was emphasized.